

Message Text

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73

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 DODE-00

PA-02 PRS-01 /090 W

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R 260859Z NOV 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5113

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASY ROME

USMISSION OECD PARIS

UNCLAS TOKYO 16899

PASS TREASURY, FEDERAL RESERVE AND LABOR

E.O. 11652: N/A

TAGS: ECON, EFIN, ELAB, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF NOV 19-26

1. SUMMARY: HIGHLY STIMULATIVE BUDGET FOR NEXT YEAR PROPOSED BY DEPUTY PM FUKUDA. WHOLESALE PRICES THOUGH RISING IN RECENT MONTHS ARE UP ONLY SLIGHTLY OVER A YEAR AGO, WHEREAS UNIT LABOR COSTS ARE RISING DESPITE REVIVAL IN PRODUCTION DEPARTMENT STORE SALES REMAIN VIRTUALLY UNCHANGED IN OCT AND LACKLUSTER CONSUMER SPENDING WAS CITED BY FUKUDA AS REASON FOR FURTHER FISCAL STIMULATION. END SUMMARY.

2. DEPUTY PM FUKUDA CALLS FOR HIGHLY STIMULATIVE BUDGET FOR FISCAL 1976. COMMENTING AT NEWS INTERVIEW ON ECONOMIC PLICIES NEEDED FOR NEW FISCAL YEAR (BEGINNING APRIL 1976), FUKUDA SAID GOJ POLICY SHOULD AIM AT INCREASING INDUSTRY OPERATING RATES FROM PRESENT DEPRESSED LEVELS. DEPUTY UNCLASSIFIED

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PM STRESSED THAT 1976 GOJ BUDGET WOULD BE DECISIVE IN

ACHIEVING THIS TARGET. AN EXPANSIONARY BUDGET SHOULD EMPHASIZE PUBLIC EXPENDITURE SINCE PROSPECTIVE INCREASES IN PRIVATE PLANT AND EQUIPMENT INVESTMENTS, PERSONAL CONSUMPTION EXPENDITURE AND EXPORTS WOULD NOT BE SUFFICIENT TO RAISE REAL GROWTH RATE SIGNIFICANTLY, SAID FUKUDA. HE RULED OUT POSSIBILITY OF INCOME TAX REDUCTION FOR STIMULATING ECONOMY. NOTING THAT GOJ SEEKS TO HOLD PRICE ADVANCE NEXT FISCAL YEAR TO AROUND 7-8 PERCENT, FUKUDA CALLED FOR ONLY A "MODERATE WAGE RAISE" TO HELP MEET THIS TARGET.

3. WHOLESALE PRICES (JEI 471) ROSE 0.4 PERCENT IN OCT, BUT THE YEAR-OVER-YEAR INCREASE IS ONLY 0.8 PERCENT. GOJ OFFICIALS EXPRESSED CONFIDENCE THAT THE RATE OF WHOLESALE PRICE INFLATION IS NOT LIKELY TO INCREASE SHARPLY IN THE NEAR FUTURE. THE OCT RISE WAS PACED BY INCREASES IN PRICES OF PULP, LUMBER, AND OIL AND COAL PRODUCTS, WHEREAS DECLINES WERE REGISTERED IN STEEL, METAL MATERIALS, AND MACHINERY.

	INDEX (NSA)	PCT. CH. FROM PRIOR MO.
AUG	156.9	0.6
SEPT	157.3	0.3
OCT	157.9	0.4

4. UNIT LABOR COSTS APPEAR TO BE RISING AGAIN, DESPITE GRADUAL PICKUP IN INDUSTRIAL OUTPUT. UNIT LABOR COSTS INCREASED 4.2 PERCENT BETWEEN JUNE AND SPT, BRINGING THE INDEX(S.A. JEI 421) BACK UP TO 190.3, OR ROUGHLY THE LEVEL IN LATE 1974. UNIT LABOR COSTS SOARED LAST YEAR, WHEN AVERAGE WAGE HIKE OF OVER 30 PERCENT NEGOTIATED IN SPRING LABOR OFFENSIVE WAS COMPOUNDED BY STEEP SLID IN INDUSTRIAL OUTPUT THAT SAW JFY 1974 LABOR PRODUCTIVITY DROP 5 PERCENT FROM PRIOR YEAR LEVEL. BY JAN 1975 INDEX OF UNIT LABOR COSTS HAD INCREASED 50 PERCENT OVER YEAR EARLIER, AND IN FEB INDEX PEAKED AT 201.9. DESPITE 8.2 PERCENT RISE IN INDUSTRIAL PRODUCTION BETWEEN FEB AND SEPT, IMPACT OF THIS YEAR'S WAGE HIKES HAS LIMITED REDUCTION IN UNIT LABOR COSTS OVER SAME PERIOD TO 5.7 PERCENT.

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5. DEPARTMENT STORE SALES (JEI 302) REMAINED SLUGGISH IN OCT, RISING ONLY 0.4 PERCENT FROM PRIOR MONTH ACCORDING TO PRELIMINARY SEASONALLY ADJUSTED DATA. COMMENTING ON NEWS REPORTS WHICH HERALDED SHARP RISE IN SALES, MITI OFFICIALS SAID THAT 22 PERCENT RISE WAS ONLY ON UNADJUSTED BASIS. OFFICIAL NOTED THAT WHILE SLOW PACE OF WINTER CLOTHING SALES DURING SEPT PICKED UP LAST MONTH, TOTAL

OCT SALES REMAINED BELOW AUG LEVEL ON S.A. BASIS. ON YEAR-TO-YEAR BASIS, DEPARTMENT STORE SALES WERE UP 10.1 PERCENT FROM OCT 1974, MATCHING ADVANCE IN OVERALL CONSUMER PRICES DURING SAME PERIOD. SALES AT STORES IN SIX MAJOR CITIES, WHICH ACCOUNT FOR 57 PERCENT OF TOTL, CONTINUED TO LAG BEHIND SALES IN OTHER REGIONS RISING ONLY 6.8 PERCENT, WHILE SALES AT STORES IN SMALLER CITIES HAVE ADVANCED 14.4 PERCENT IN PAST YEAR.

	INDEX, S.A.	PCT. CH. FROM PRIOR MO.
AUG	232.4	PLUS 3.2
SEPT	226.9	-2.5
OCT	227.9	PLUS 0.4

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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Margaret P. Grafeld
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EO Systematic Review
06 JUL 2006

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Type: TE
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